

NOV 30 1989

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code.

The information submitted discloses that you were incorporated under the laws of [REDACTED] on [REDACTED].

The organization is organized as an association of [REDACTED] dealers in [REDACTED] for the advertising, sales, and promotion of automobiles for their mutual benefit.

Membership is limited to any person, firm, or corporation engaged in the sale of [REDACTED] motor vehicles in [REDACTED] as defined by [REDACTED]. Membership must be approved by [REDACTED].

You currently have [REDACTED] members. Contributions to the organization are determined by the Board of Directors. Each member's contribution is defined by a formula and is directly related to the number of automobiles sold each month. Monies are distributed each month to the dealers selling the largest number of automobiles as an incentive for sales.

Section 501(c)(6) of the Code provides for the exemption of business leagues, chambers of commerce, real estate boards, boards for trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest the purpose of which is to promote such interest. This section also provides that a business league exempt under 501(c)(6) is "of the same general class as a chamber of commerce or board of trade" and "its activities should be directed to improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code	[REDACTED]	[REDACTED]	[REDACTED]				
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	10-19-89	11/21/89	11/30/89				

Revenue Ruling 73-411, 1973-2 C.B. 180 discusses the characteristics of organizations exempt under 501(c)(6), stating that an organization seeking exemption under this section as a chamber of commerce or board of trade must be one whose efforts are directed at promoting the common economic interests of all of the commercial enterprises in a given trade community comprising a broad segment of the public such as a city or similar geographical or political area. A business league or trade association is similar to a chamber of commerce, but serves the common business interests of those in a single line of business, or of closely related lines of business. In either case, membership is voluntary, and open to all businessmen in the community, in the case of a chamber of commerce or board of trade, or all in the line or lines of business sharing the common business interest in the case of a business league. Benefits are not limited to the membership.

Revenue Ruling 67-77, 1967-1 C.B. discusses an organization composed of dealers of a certain make of automobile in a designated area is organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile. Membership in the organization is restricted to dealers who hold franchises for the sale of a certain make of automobile in a designated area. It was formed to unite the dealers in the area and to finance general advertising campaigns which promote the sale of automobiles, parts, and services. Its only income consists of contributions from the dealer-members. The size of these contributions is determined by the number of automobiles purchased from the manufacturer by each member.

The organization described herein, instead of engaging in activities for the improvement of business conditions in the automotive industry as a whole, is performing services for its members by promoting a certain make of automobile and providing refunds to its members. Therefore, it is not entitled to exemption from Federal income tax as a business league under section 501(c)(6) of the Code.

A trade organization for muffler dealers was denied exemption because it confined its membership to dealers franchised by a particular company and its activities to the business of that company (National Muffler Dealers Association vs. U.S., 440 U.S. 472 (1979)).

A national association whose activities consist of securing benefits and performing a particular services for its members was denied exemption (The American Automobile Association vs. Commissioner of Internal Revenue 19 TC 1146 (1953)).

[REDACTED]

Your activities are directed solely to promoting the business and economic interests of your membership, not an industry.

We therefore hold that you lack the essential characteristics of a chamber of commerce, board or trade, and/or business league. Accordingly, you do not meet the test of the statute and do not qualify for exemption under Section 501(c)(6) of the Code.

Since you have not been granted tax exempt status, you must file income tax returns on Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]
District Director

Enclosure: Publication 892